

# BUDGET LETTER

<b>SUBJECT:</b> 2006-07 GENERAL ADMINISTRATIVE COSTS (PRO RATA) AND 2006-07 STATEWIDE COST ALLOCATION PLAN (SWCAP)	<b>NUMBER:</b> 05-28 <b>DATE ISSUED:</b> September 29, 2005
<b>REFERENCES:</b> GOVERNMENT CODE SECTIONS 11270 - 11277, 13332.01, 13332.02, 22883; STATE ADMINISTRATIVE MANUAL SECTIONS 8752 - 8758	<b>SUPERSEDES:</b> BL 04-33

TO: Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

## I. Changes for the 2006-07 Pro Rata and SWCAP Plans

The 2006-07 Pro Rata and SWCAP plans will not include Function 500 – CA Victim Compensation and Government Claims Board. The costs associated with this central service agency are now billed directly to state departments.

In addition, Function 702 – Secretary for Youth and Adult Corrections will not be included in the plans. This is a result of the Governor's Reorganization Plan which consolidated the departments and boards under the Youth and Adult Correctional Agency into the new Department of Corrections and Rehabilitation.

**Beginning this fall, Pro Rata assessments and SWCAP apportionments for each department will be sent by the Department of Finance (Finance) budget analysts to the departmental Budget Officers. Departments will be required to certify that the Pro Rata assessment amounts have been set aside in their fund condition statements for the specified funds and included in the proposed appropriation amounts. Also, departments will be required to certify that the budgeted SWCAP amounts have been included in their budgeted federal receipts. See Section II "General Administrative Costs (Pro Rata)" and Section III "Statewide Cost Allocation Plan (SWCAP)" for more information.**

## II. General Administrative Costs (Pro Rata)

Pro Rata represents General Fund recoveries from special funds for statewide general administrative costs incurred by central service agencies (e.g., Finance, State Controller, State Personnel Board, and the Legislature). These recoveries are required by Government Code Sections 11270 – 11277 and 22883. The costs of each central service are apportioned to all state departments and then allocated to each department's funding source(s). Funds that are classified as "billable" (i.e., funded by special revenue sources such as fees, licenses, penalties, assessments, etc.) reimburse the General Fund for Pro Rata costs via quarterly transfers made by the State Controller's Office (SCO). The total billable and nonbillable allocation is used as the statewide indirect cost component of a department's rate structure when billing non-federal clients. In October, reports that reflect the apportioned costs for 2006-07 will be available at [http://www.dof.ca.gov/FISA/PROSWCAP/prorata\\_detail\\_reports.htm](http://www.dof.ca.gov/FISA/PROSWCAP/prorata_detail_reports.htm).

Finance, Fiscal Systems and Consulting Unit (FSCU) calculates the Pro Rata assessments against billable funds. During the week of October 10, 2005, the 2006-07 Pro Rata assessments, which will

be on green sheets, will be provided to Finance budget analysts, who will complete all required information, including the "Adjusted Assessment" column, and will forward the completed sheets to the departments for certification. A sample of the Pro Rata assessment sheets is provided in Attachment I. Departments must set aside the assessment amounts in their fund condition statements and baseline budgets for the specified fund(s). In addition, the assessment amounts must be reflected in the Supplementary Schedule of Operating Expenses and Equipment (DF-300) on a separate line using object code 330438. Finance budget analysts will work with departments to ensure that appropriate funding adjustments are made and verify that the DF-300 accurately reflects the Pro Rata assessments.

**Departments must sign the Pro Rata assessment sheets to certify that the assessment amounts have been set aside in the fund condition statements for the specified funds and included in the proposed appropriation amounts. Departments must then return the sheets to their Finance budget analysts no later than October 19, 2005. Finance budget analysts must submit the assessment sheets to FSCU by October 21, 2005.**

### **III. Statewide Cost Allocation Plan (SWCAP)**

SWCAP represents General Fund recoveries from federal funds for statewide general administrative costs incurred by central service agencies. These recoveries are required by Government Code Sections 13332.01, 13332.02, and 22883. SWCAP includes only those central services costs which are allowable for federal reimbursement purposes. The costs of each central service are apportioned to state departments that receive federal funds. Unless prohibited by the federal government, each department that receives federal funds must recover their SWCAP costs and request the SCO to transfer the recoveries to the General Fund. Departments are responsible for complying with federal and state requirements to ensure that SWCAP costs can be recovered from the federal government. In October, reports that reflect the apportioned costs for 2006-07 will be available at [http://www.dof.ca.gov/FISA/PROSWCAP/swcap\\_detail\\_reports.htm](http://www.dof.ca.gov/FISA/PROSWCAP/swcap_detail_reports.htm).

FSCU calculates the SWCAP apportionments. During the week of October 10, 2005, the 2006-07 SWCAP apportionments, which will be on pink sheets, will be provided to Finance budget analysts, who will complete and forward the sheets to the departments. A sample of the SWCAP apportionment sheets is provided in Attachment II. Departments must include the budgeted SWCAP amount from these sheets in their budgeted federal receipts. In addition, departments must reflect the budgeted SWCAP amount in the Supplementary Schedule of Operating Expenses and Equipment (DF-300) on a separate line using object code 330439. To the extent that federal fund receipts can be adjusted under applicable federal laws to reflect changes in SWCAP apportionments, planning estimates for federal funds need to be adjusted to reflect changes from prior levels. Finance budget analysts will work with departments to ensure that appropriate funding adjustments are made and verify that the DF-300 accurately reflects the SWCAP apportionments.

**Departments must sign the SWCAP apportionment sheets to certify that the budgeted SWCAP amount has been included in the budgeted federal receipts and that it is allowed under the specified federal programs. Departments must then return the sheets to their Finance budget analysts no later than October 19, 2005. Finance budget analysts must submit the apportionment sheets to FSCU by October 21, 2005.**

### **IV. Indirect Cost Rate Proposal (ICRP)**

State Administrative Manual (SAM) Section 8756.1 requires each department that receives federal funds to prepare an ICRP. The ICRP is required to be filed with the department's cognizant federal agency at least six months prior to the fiscal year that the ICRP applies. Prior to sending the ICRP to

the cognizant federal agency, departments must submit their ICRPs to FSCU for review and approval. At least three weeks should be allowed for FSCU's review. ICRPs must be in compliance with the State's Full Cost Recovery policy, as defined in SAM Section 8752.

## **V. Full Cost Recovery**

Departments must recover full costs whenever goods or services are provided for others. Full costs include department direct and indirect (overhead) costs and central service costs. Any fees that a department charges for goods or services rendered must be sufficient to recover the full costs of the goods or services. Due to variations in the costs of personal services, overhead, and inflation, a department must have a process or procedure in place to periodically review and update fees charged. Refer to SAM Sections 8752-8758 for more information.

Additional information on Pro Rata, SWCAP, ICRPs, and other related items are available on our website at <http://www.dof.ca.gov/fisa/proswcap/proswcap.htm>. For Pro Rata assistance, contact Kevin Fujitani at (916) 445-3434, extension 2136 or e-mail at [fiproswp@dof.ca.gov](mailto:fiproswp@dof.ca.gov). For SWCAP and ICRP assistance, contact Andrew Elias at (916) 445-3434, extension 2139 or e-mail at [fiproswp@dof.ca.gov](mailto:fiproswp@dof.ca.gov).

/s/ Veronica Chung-Ng

Veronica Chung-Ng  
Program Budget Manager

Attachments